

**TOWNSHIP OF BLAINE
BENZIE COUNTY, MICHIGAN
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

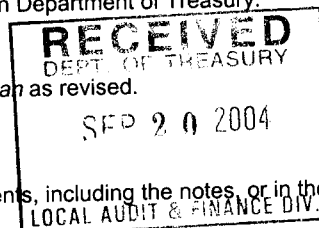
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BLAINE TOWNSHIP	County BENZIE
Audit Date 3/31/04	Opinion Date 7/24/04	Date Accountant Report Submitted to State: 9/17/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Harris Group, Certified Public Accountants

Street Address

1107 E. 8th Street

City

Traverse City

State

MI

ZIP

49686

Accountant Signature

Date

9/17/04

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INTRODUCTORY SECTION

**TOWNSHIP OF BLAINE
ORGANIZATION
YEAR ENDED MARCH 31, 2004**

TOWNSHIP OFFICIALS AND BOARD MEMBERS

Donald Smeltzer	Supervisor
Charlotte Putney	Clerk
Emilie Kimpel	Treasurer
Mark Evans	Trustee
Thomas Campbell	Trustee

FINANCIAL SECTION



Certified Public Accountants

Independent Auditor's Report

Members of the Township Board
Township of Blaine
Benzie County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Blaine, Michigan, as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Blaine's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Blaine, Benzie County, Michigan, as of March 31, 2004 and the results of its operations and cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purposes of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Blaine, Benzie County, Michigan. Such information has been subject to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Harris Group

July 27, 2004

**TOWNSHIP OF BLAINE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
MARCH 31, 2004**

	Governmental Fund Types		Fiduciary Fund Type	Account Group	Total
	General	Special Revenue	Trust and Agency	General Fixed Assets	(Memorandum Only)
ASSETS					
Cash	\$ 10,437	\$ 3,634	\$ 33,558	\$	\$ 47,629
Investments	117,258		27,770		145,028
Taxes receivable	1,686				1,686
Due from other funds	30,178				30,178
Due from State	4,455				4,455
Land				46,480	46,480
Buildings				109,884	109,884
Equipment				10,633	10,633
TOTAL ASSETS	\$ 164,014	\$ 3,634	\$ 61,328	\$ 166,997	\$ 395,973
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 898	\$	\$	\$	\$ 898
Due to other funds			30,178		30,178
TOTAL LIABILITIES	898		30,178		31,076
FUND EQUITY:					
Investment in general fixed assets				166,997	166,997
Fund balances:					
Reserved for cemetery care			31,150		31,150
Unreserved:					
Undesignated	163,116	3,634			166,750
TOTAL FUND EQUITY	163,116	3,634	31,150	166,997	364,897
TOTAL LIABILITIES & FUND EQUITY	\$ 164,014	\$ 3,634	\$ 61,328	\$ 166,997	\$ 395,973

The accompanying notes are an integral part of these statements.

TOWNSHIP OF BLAINE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
REVENUES:			
Property taxes	\$ 25,872	\$	\$ 25,872
State revenue sharing	33,151		33,151
Charges for services:			
Property tax administration	5,969		5,969
Other charges	1,225		1,225
Interest	4,133	78	4,211
Rents	2,810		2,810
Miscellaneous	118		118
TOTAL REVENUES	73,278	78	73,356
EXPENDITURES:			
Legislative:			
Township Board	13,767		13,767
General government:			
Supervisor	3,841		3,841
Assessor	7,781		7,781
Elections	352		352
Clerk	5,736		5,736
Board of Review	775		775
Treasurer	7,627		7,627
Building and grounds	10,951		10,951
Cemetery	4,076		4,076
Public safety:			
Fire protection	25,930		25,930
Public works:			
Highways and streets	236		236
TOTAL EXPENDITURES	81,072		81,072
EXCESS OF REVENUES OVER EXPENDITURES	(7,794)	78	(7,716)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	839		839
Operating transfers out		(78)	(78)
Total other financing sources (uses)	839	(78)	761
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(6,955)		(6,955)
FUND BALANCE, beginning	170,071	3,634	173,705
FUND BALANCE, ending	<u>\$ 163,116</u>	<u>\$ 3,634</u>	<u>\$ 166,750</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BLAINE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED MARCH 31, 2004

	General Fund			Special Revenue Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Property taxes	\$ 26,000	\$ 25,872	\$ (128)	\$	\$	\$
State revenue sharing	33,000	33,151	151			
Charges for services	7,200	7,194	(6)			
Interest	3,500	4,133	633		78	78
Rent	3,500	2,810	(690)			
Miscellaneous		118	118			
TOTAL REVENUES	73,200	73,278	78		78	78
EXPENDITURES:						
Legislative:						
Township Board	11,610	13,767	(2,157)			
General government:						
Supervisor	3,856	3,841	15			
Assessor	7,525	7,781	(256)			
Elections	800	352	448			
Clerk	5,840	5,736	104			
Board of Review	1,400	775	625			
Treasurer	6,150	7,627	(1,477)			
Buildings and grounds	4,500	10,951	(6,451)			
Cemetery	4,000	4,076	(76)			
Public safety:						
Fire protection	25,630	25,930	(300)			
Public works:						
Highways and streets	480	236	244			
TOTAL EXPENDITURES	71,791	81,072	(9,281)			
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,409</u>	<u>(7,794)</u>	<u>(9,203)</u>		<u>78</u>	<u>78</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in		839	839			
Operating transfers out					(78)	(78)
Total other financing sources (uses)		<u>839</u>	<u>839</u>		<u>(78)</u>	<u>(78)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 1,409</u>	<u>(6,955)</u>	<u>\$ (8,364)</u>	<u>\$</u>		<u>\$</u>
FUND BALANCE, beginning		<u>170,071</u>			<u>3,634</u>	
FUND BALANCE, ending		<u>\$ 163,116</u>			<u>\$ 3,634</u>	

The accompanying notes are an integral part of these statements.

TOWNSHIP OF BLAINE
STATEMENT OF REVENUES, TRANSFERS AND CHANGES IN FUND BALANCE
FIDUCIARY FUND TYPE – NONEXPENDABLE TRUST
CEMETERY PERPETUAL CARE FUND
YEAR ENDED MARCH 31, 2004

REVENUES:	
Cemetery lot sales	\$ 900
Interest income	<u>761</u>
TOTAL REVENUES	<u>1,661</u>
Transfer to general fund	<u>761</u>
EXCESS OF REVENUES OVER TRANSFERS	900
FUND BALANCE, beginning	<u>30,250</u>
FUND BALANCE, ending	<u><u>\$ 31,150</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF BLAINE
STATEMENT OF CASH FLOWS
FIDUCIARY FUND TYPE – NONEXPENDABLE TRUST
CEMETERY PERPETUAL CARE FUND
YEAR ENDED MARCH 31, 2004**

Cash flows from operating activities:	
Cash received from customers	<u>\$ 900</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(761)</u>
Cash flows from investing activities:	
Interest income	<u>761</u>
Net increase (decrease) in cash and cash equivalents	900
Cash and cash equivalents, beginning	<u>30,250</u>
Cash and cash equivalents, ending	<u><u>\$ 31,150</u></u>
Reconciliation of operating income to net cash provided by (used) for operating activities:	
Operating activities	<u><u>\$ 900</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the Township of Blaine have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

In evaluating how to define the Township, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of the Township of Blaine contain all the funds and account group controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the Township a component unit of another entity.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups. Categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The *nonexpendable trust fund* is accounted for utilizing the accrual method of accounting. Nonexpendable trust funds account for assets for which the principal may not be spent. The Cemetery Perpetual Care fund is a nonexpendable trust fund.

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Township holds for others in an agency capacity.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Accumulated Unpaid Benefits

Employees are not allowed to accumulate vacation and sick pay and therefore, no accumulated amount has been shown in the General Long-Term Debt Group of the Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

Basis of Accounting

The general purpose financial statements have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

Cash and investments

The Township reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance the operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was .9486 mills. The taxable value was \$26,753,178.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles. Assets in the general fixed asset account group are not depreciated.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	\$ 46,480	\$	\$	\$ 46,480
Building	102,570	7,314		109,884
Equipment	10,633			10,633
Totals	<u>\$ 159,683</u>	<u>\$ 7,314</u>	<u>\$</u>	<u>\$ 166,997</u>

NOTE 3: POSTEMPLOYMENT BENEFITS

The Township provides no postemployment benefits to retirees.

NOTE 4: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceed the amount of insurance coverage in any the past five fiscal years.

NOTE 5: DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

Deposits	Bank Balances
Insured FDIC	\$ 54,533
Uninsured	
Total Deposits	<u>\$ 54,533</u>

At year end the balance sheet carry amount of deposits was \$47,629. Investments as of March 31, 2004 consist of certificates of deposits, with a maturity of greater than 90 days.

NOTE 6: TOTAL – MEMORANDUMS ONLY

The general purpose financial statements present total columns for the year ended March 31, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for the comparative purposes and should not be construed as presenting consolidated financial information.

Supplementary Data Section

TOWNSHIP OF BLAINE
GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
YEAR ENDED MARCH 31, 2004

Township Board:

Wages	\$ 1,260
Social Security	96
Office supplies	150
Professional services	
Printing and publishing	77
Insurance	2,491
Aid to other governments	7,701
Miscellaneous	492
Contributions - other	1,500
	<hr/>
	13,767

Supervisor:

Salary	3,568
Social security	273
	<hr/>
	3,841

Assessor:

Contracted services	4,258
Office supplies	307
Professional services	630
Tax notice preparation	1,411
Transportation	1,175
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	7,781

Elections:

Salary and wages	352
Miscellaneous	
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	352

Clerk:

Salary	5,178
Social security	396
Office supplies	162
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	5,736

Board of Review:

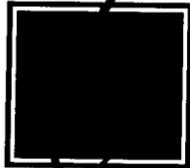
Wages	720
Social security	55
Printing and publishing	
Miscellaneous	
	<hr/>
	775

TOWNSHIP OF BLAINE
GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
YEAR ENDED MARCH 31, 2004
(continued)

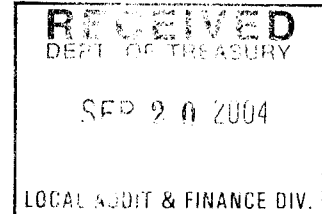
Treasurer:	
Salary	\$ 5,178
Social security	396
Office supplies	1,905
Miscellaneous	<u>148</u>
	<u>7,627</u>
Buildings and grounds:	
Salary and wages	
Social security	
Operating supplies	163
Insurance	153
Utilities	1,265
Repairs and maintenance	1,568
Miscellaneous	488
Capital outlay	<u>7,314</u>
	<u>10,951</u>
Cemetery:	
Operating supplies	118
Insurance	131
Utilities	154
Repairs and maintenance	<u>3,673</u>
	<u>4,076</u>
Fire protection:	
Contracted services	<u>25,930</u>
Highways and streets:	
Contracted services	<u>236</u>
Total Expenditures	<u><u>\$ 81,072</u></u>

**TOWNSHIP OF BLAINE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION FUND
YEAR ENDED MARCH 31, 2004**

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 3/31/04</u>
ASSETS:				
Cash in Bank	\$ 30,723	\$ 603,932	\$ 604,477	\$ 30,178
LIABILITIES:				
Due to other funds	\$ 30,723	\$ 30,178	\$ 30,723	\$ 30,178
Due to other taxing units		573,754	573,754	
Total Liabilities	\$ 30,723	\$ 603,932	\$ 604,477	\$ 30,178



**HARRIS
GROUP**
Certified Public Accountants



July 27, 2004

To the Township Board
Township of Blaine

In planning and performing our audit of the financial statements of the Township of Blaine for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Blaine's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our study and evaluation of internal control disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

Recommendations

GASB #34

The Township will be required to conform to the new Governmental Accounting Standards Board Statement #34 for the year ended March 31, 2005. This statement changes the way governmental units report their financial information. The current financial reporting is based on the individual fund approach; this new statement is based on the government wide approach. Due to the size of your government the application of this statement will not be overly complex. The one area that will require some time and consideration is valuing the infrastructure assets under township control. This would require the valuation of the roads that are maintained by the Township. We will also be available to assist you in applying this statement.


General Ledger

Currently, the Clerk records transactions for all funds within the same general ledger. Then for the audit we break out the different funds. The Clerk should maintain a general ledger for each fund separately.

Budgeting

The Township has complied with the spirit of P.A. 621, Budgeting, but has expended more than the budgeted amount in certain categories. The Township may amend the budget throughout the year for any unforeseen expenditures.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Harris Group". The signature is written in a cursive, flowing style.

Certified Public Accountants